Universities Academic Pension Plan Board

Annual Report
1988

Alberta

90-00321/

Alberta

UNIVERSITIES ACADEMIC PENSION PLAN BOARD

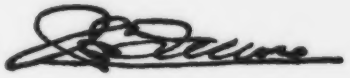
1203, Legislature Annex, 9718-107 Street, Edmonton, Alberta, Canada T5K 1E4 403/427-7105

The Honourable Dick Johnston
Provincial Treasurer

Sir:

I have the honour to submit to you the third annual report of the Universities Academic Pension Plan Board for the period January 1, 1988 to December 31, 1988. The report outlines the role and responsibilities of the Universities Academic Pension Plan Board and the activities undertaken during the period under review.

Respectfully submitted,



J. E. Faries
Chairman

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Introduction

The calendar year 1988 is the third full year of operation of the Universities Academic Pension Plan Board. This Board was established effective November 1, 1985 under the Universities Academic Pension Plan Act. The main responsibilities of the Board are to hear appeals of administrative decisions made on pensions, and to advise the Minister responsible for public service pensions on matters relating to the Plan.

The Board's appellate role has evolved with a trend toward more detailed presentation of arguments by each party. Procedure, however, remains informal, permitting easy access to right of appeal by participants. Several appeals have been summarized in this report.

In its advisory role, the Universities Academic Pension Plan Board has provided advice to the Minister in the context of his ongoing review of the government guaranteed pension plans. In July 1988, the Minister advised the Boards of the government administered pension plans that he would not be proceeding with major pension reforms at this time. Advice provided by the Universities Academic Pension Plan Board on a number of significant issues is outlined in this report.

The Board

Members

The Universities Academic Pension Plan Board is comprised of four representatives of the academic staff associations, four employer representatives, one member representing the government's interest as guarantor of benefits under the plan, and the Chairman.

Two Board members left during 1988. Mr. Norbert G. Meier represented the Boards of Governors of both the Banff Centre and Athabasca University from May 21, 1987 to the expiry of his term of office on April 1, 1988. Mr. A. Keith Turnbull assumed this office effective November 24, 1988. Dr. Iain C. Taylor represented the Faculty Staff Associations of Banff Centre and Athabasca University from May 21, 1987 to the expiry of his term of office on April 1, 1988. The resulting vacancy on the Board was not filled until after December 31, 1988. Terms of remaining Board members with expiry date April 1, 1988 were extended to April 1, 1992.

Brief biographies of the nine Board members as at December 31, 1988 are provided on the following page.

Program Delivery

With the exception of the Chairman, Board members serve on a part-time basis. The Chairman also serves as Chairman of the Boards of four other government administered pension plans. A small staff provides professional and administrative services to this Board and to the other Boards.

As in 1987, a seminar was held in 1988 to provide information to members of the five Pension Boards and to recognize those departing from the Boards. Various employee and employer representatives, and personnel from Payroll and Pensions Division of Alberta Treasury also attended the seminar.

To assist the Board in its advisory role, employees, employers, and interested groups are encouraged to express their views and concerns on policy issues to the Chairman or their representative Board members. Where appropriate, presentations on an issue may be made to the Board as a whole.

The Board met six times in the period under review. Board minutes are recorded but are not made public.

Universities Academic Pension Plan
Board Members
as at December 31, 1988

J. E. Faries

Mr. Faries is Chairman of the Board and brings to the Board considerable background in pension policy and administration. He served over 15 years as Director of the Pension Administration. Mr. Faries was chairman and instructor for the Employee Benefit Administration Certificate program of the University of Alberta for a number of years. Currently he holds several senior positions on other boards and community organizations. His term of office expires on April 1, 1992.

A. F. (Chip) Collins

Mr. Collins, the government representative, is Vice-Chairman of the Board. He served as Deputy Provincial Treasurer from 1972 until his retirement in 1984. Mr. Collins brings to the Board extensive financial, administrative, and public service experience. His term of office expires on April 1, 1991.

R. D. Bercov

Dr. Bercov was appointed to the Board on August 21, 1987 to represent the Association of Academic Staff of the University of Alberta. Dr. Bercov was Associate Vice-President (Academic) for 1980-85 and Acting Dean of Science at the University of Alberta for the '86-'87 year. He is currently Professor of Mathematics. His term of office expires April 1, 1991.

P. M. Clapp

Professor Clapp represents the Faculty Association of the University of Calgary, and was appointed to the Board on October 2, 1986. Her background is in teaching and Administration. She holds Masters' degrees in Educational Supervision from the University of Oregon and in Business Administration from the University of Calgary. Professor Clapp directs the Management Certificate program, and the Special Sessions at the University of Calgary. Her term of office expires April 1, 1992.

E. E. Falkenberg

Dr. Falkenberg represents the Faculty Members Association. Educated in Canada and the United States, he received his Bachelor of Education at the University of Alberta, his Master of Science at the University of Oregon and his Doctor of Education at the University of Montana. He is presently Professor of Education at the University of Lethbridge. His term of office expires April 1, 1991.

D. R. Franklin

Mr. Franklin has experience in private industry prior to joining the University of Calgary in 1964 to direct human resources. He has acted as consultant and management nominee on numerous arbitration boards in the public and private sectors. He is also actively involved in community events. His term of office expires April 1, 1991.

E. A. Hillman

Mr. Hillman was appointed to the Board October 8, 1987 to represent the Board of Governors, University of Lethbridge. He assumed the position of Vice President, Administration in August 1987 and has been with the University of Lethbridge since 1982. Educated in Manitoba, he has held a number of senior posts at the University of Manitoba and University of Calgary prior to coming to Lethbridge. His term of office expires April 1, 1992.

B. H. McDonald

Mr. McDonald represents the Board of Governors of the University of Alberta. He is presently Associate Vice-President, Academic Administration at the University, a position he has held since 1978. Prior to joining the University staff he was employed in the oil industry in Calgary. He holds a Bachelor of Commerce degree from the University of Saskatchewan and an MBA from the University of California. His term of office expires April 1, 1992.

A. K. Turnbull

A graduate of the University of Western Ontario, Mr. Turnbull began his long association with the theatres and art centres throughout Canada as a producer, designer, director and instructor at the University of Western Ontario and London Little Theatre. Having founded the NDWT Co., he directed, adapted, wrote, produced and designed a variety of productions from 1975-1981. He is currently the Associate Artistic Director, Music Theatre of the Banff Centre.

Applications and Appeals

Provisions

The Act provides that application may be made to the Board for time limit extensions or change of benefit choice. It also provides that a party aggrieved by a decision of the Minister may appeal to the Board. The provisions of the Act dealing with applications and appeals, Sections 10 and 34 respectively, are reproduced for ease of reference in Appendix A.

Application may also be made to the Board for the extension of time limits under the reciprocal agreements with other pension authorities in Canada. The terms of each agreement vary. The following time limits generally apply: that the break in service between employers must be no more than three months, and that application for transfer must be made within one year of becoming employed with the new employer. Although the agreements allow for the extension of time limits by the importing Board, no guideline for the exercise of the Board's discretion is provided in the reciprocal agreements. The Board considers extenuating circumstances put forth by the applicant in making its decision.

Procedure

A Notice of Appeal form, prescribed by the Minister, is normally provided with adverse administrative decisions. This form must be completed and submitted in filing an appeal. It may also be used for applications for time limit extensions.

Assistance to appellants is available from the Chairman's office. The individual may seek advice on what facts should be gathered and how they should be presented.

For the hearing of appeals and applications, the Chairman plus four other members, one of whom represents an employee group and one of whom represents an employer group, constitute a quorum.

The Board has authorized the Chairman to reimburse appellants and applicants appearing before the Board for reasonable travel and subsistence expenses. This ensures that all appellants and applicants have the opportunity to appear and present their cases irrespective of their place of residence.

Summary of Cases

During the period under review, the Board decided five applications and appeals, comparing to six dealt with in the previous year. A summary of cases decided is as follows:

Universities Academic Pension Plan Board
January 1, 1988 - December 31, 1988

Category	Number	Number Granted or Varied
Time Limit Extensions (Section 10)	0	-
Reciprocal Transfer	3	0
Appeals (Section 34)	2	1
Total	5	1

The three applications in 1988 for extensions of reciprocal agreement time limits were denied as the Board found insufficient extenuating circumstances. In one application, the break in service was approximately one year during which the participant was actively looking for work. In the two other cases, the break in service was over four years due to periods of education.

An appeal under Section 34 was raised in relation to an administrative error. A period of service had been costed as prior service and paid for by the participant. The service was subsequently found to be ineligible for purchase. The corresponding overpayment of contributions was to be refunded by the Minister at a preferential interest rate. The participant appealed that the service should be counted as pensionable service on the basis of contributions made. The Board confirmed the Minister's decision, however, and recommended that the Minister compensate the appellant for any substantiated loss of opportunity. The Board was subsequently advised that the participant had accepted the refund as full compensation.

A second appeal under Section 34 involved a suspension of pension. An individual commenced receipt of the Universities Academic Pension Plan pension before attaining normal pensionable age. She was re-employed by the university in a non-academic position and commenced participation in the Public Service Pension Plan. The Universities Academic Pension Plan pension was suspended by the Minister per Section 18 of the Regulation as

the participant was "engaged to work for an employer." On appeal, the Board vacated the Minister's decision. The Board's interpretation was that a person must be re-employed in an academic capacity before the Universities Academic Pension Plan pension is subject to suspension.

Parties aggrieved by a decision of the Board under Section 34 of the Act may appeal to the Court of Queen's Bench within 30 days on a question of law or jurisdiction. No such appeals were made in the period under review.

Advisory Role

Board's Recommendations

A review of the funding and policies relating to each of the pension plans guaranteed by the Province of Alberta was commenced in 1985 by Alberta Treasury. The Minister has advised the Pension Boards that their views will be taken into consideration during this review. In July 1988, the Minister notified the Boards that he would not be proceeding with major pension reforms at this time.

The Board has provided advice in respect of a number of significant issues which impact on the Plan. The following is an outline of the issues and recommendations made.

Pension Reform

After 10 years of debate, new standards for private sector pensions were introduced in several jurisdictions in Canada. The Employment Pension Plan Act regulating private sector pension plans in Alberta became effective January 1, 1987. The legislation specified minimum requirements in a number of areas including eligibility for participation of part-time employees, vesting and locking-in, and general portability of pensions.

The Universities Academic Pension Plan was reviewed in light of these requirements. In November 1987 the Board recommended increased eligibility and earlier vesting for part-time continuous employees. It also recommended that refunds of employee and employer contributions on termination of employment be locked-in to provide a pension at retirement. The Board viewed current vesting and portability provisions as being comparable to those being mandated for the private sector. It therefore recommended no changes in these areas.

Funding for Current Service

Both the March 31, 1988 actuarial valuation and the previous valuation at March 31, 1985 disclosed a significant underfunding of the Universities Academic Pension Plan for current service. For reference, the March 31, 1988 results are summarized in Appendix B. In October 1986, based on the 1985 valuations, the Board recommended that both employee and employer contributions be increased by 1/2 percent per year for the years 1987 to 1990 inclusive, to reach 17 percent in total. In response, the Minister advised that increasing contribution rates is one of the issues being considered in the review of the government guaranteed plans.

In the Board's view, contribution rates should ultimately rise to levels required for current service if the plan was a large private sector pension plan. An independent actuary commissioned by the Board advised that, in his opinion, the actuarial assumptions and method used for the actuarial valuations commissioned by Alberta Treasury were 'overly conservative' when

measured against the Board's criterion. Based on this advice, the Board recommended to the Minister in September 1988 that an actuarial valuation utilizing less conservative actuarial assumptions and method be conducted to aid in formulating advice on employee and employer contribution rates.

Proposed Registration Rules for Pension Plans

It was proposed by the Federal Minister of Finance in March 1988 that many of the pension plan registration rules, currently found in a Revenue Canada information circular, be encoded in the Income Tax Act. Several rules will impact on the plan, most significantly the maximum pension limitation. This limitation will likely reduce costs for future service.

In December 1988, the Universities Academic Pension Plan Board recommended to Alberta Treasury that an actuary analyze the effects on the plan of the proposed registration requirements. As of December 31, 1988, this analysis was in abeyance pending finalization of the federal proposals.

Cost of Living Adjustments to Pensions

Currently, cost of living adjustments (COLA) to pensions and deferred pensions are granted on an ad hoc basis by the government. In December 1988, the Board recommended that COLA of 2.0 percent be granted effective January 1, 1989. The actual adjustment was 2.0 percent.

Appendix A

Excerpts from the Act

The following excerpts of the Universities Academic Pension Plan Act define the make-up and responsibilities of the Universities Academic Pension Plan Board.

Establishment, composition, term of office, etc. 5

(1) There is hereby established a board known as the Universities Academic Pension Plan Board.

(2) The Board shall consist of not fewer than 6 persons appointed members of the Board by the Lieutenant Governor in Council, being

(a) the chairman,
(b) an even number of not fewer than 4 and not more than 10 persons appointed in equal proportions from among persons nominated by
(i) the employers, and
(ii) the academic staff associations of the employers, and
(c) 1 or more other person

(3) A member of the Board holds office for the term fixed in relation to him by the Lieutenant Governor in Council.

(4) The Minister may prescribe the remuneration and expenses to be paid to members of the Board.

(5) The Board may make rules respecting the calling of and the conduct of business at its meetings.

Chairman and Vice -Chairman 6

(1) The Lieutenant Governor in Council shall designate one of the members of the Board to be the chairman and another member to be the vice-chairman of the Board.

(2) The vice-chairman shall act as chairman when the office of chairman is vacant or when the chairman is absent or unable to act.

Support Services 7

The Minister shall provide such supplies, services and accommodation as he considers necessary to enable the Board to fulfil its objects.

Objects of the Board 8

The objects of the Board are
(a) to conduct the hearing of appeals under Part 6; [Appeals]
(b) to provide advice to the Minister under section 9;
(c) where appropriate, to extend time limits and treat benefit choices as revoked under section 10;

(d) to exercise and perform any other powers and duties assigned to it by this Act and the regulations;
(e) to perform any other duties relating to the Plan that are assigned to it by the Minister.

Advisory functions of the Board

9 The Board may advise the Minister respecting any matters relating to the Plan, including
(a) the adequacy of contributions to meet benefits,
(b) adjustments to pensions under section 26,
(c) rates of interest for the purposes of the Plan,
(d) benefits,
(e) reciprocal agreements,
(f) recognition of prior service,
(g) eligibility and participation in the Plan, and
(h) the actuarial tables prescribed or to be prescribed by the Minister.

Board's power to extend time limits, etc.

10 (1) Where
(a) a person fails to meet a time limit under the Plan,
(b) the failure will or could result in a person's obtaining different benefits than those he would have obtained had the time limit been met, and
(c) the Board is satisfied that the failure results from circumstances that import no material fault on the part of that person,

the Board may, on application to it, extend the time limit.

(2) Where
(a) the circumstances set out in subsection (1)(a), (b) and (c) apply,
(b) the benefit has been received or has commenced to be paid, and
(c) the Board is satisfied that a choice, including a deemed choice, that would otherwise be irrevocable under section 39(2) could materially prejudice the best interests of the recipient or his dependants,

the Board may, on application to it, treat that choice as revoked, extend the time limit for making the choice and order any consequential adjustments in the benefits.

(3) Where
(a) a benefit choice has been made, and
(b) the Board is satisfied that
(i) the choice communicated to the Minister was not that which the person making the choice actually intended, and
(ii) the application mentioned in this section does not result from a change in a person's circumstances affecting the choice,

the Board may, on application made to it within 3 months from the date when the benefit was received or commenced to be paid, treat the choice as revoked, substitute for it the choice that, in the Board's opinion, the person originally intended to make and order any consequential adjustments in the benefits.

Appeal to the Board

34 (1) A party aggrieved by a decision of the Minister under or in relation to Parts 2 to 5 [Participation, Contributions, Pensionable Service, Benefits] or the prescribed provisions of the regulations, other than a decision under section 31 [i.e. the entering into and terms of reciprocal agreements] or one that could be the subject matter of an application under section 10, may appeal against that decision to the Board.

(2) A party wishing to appeal to the Board under this section must serve the chairman of the Board with a notice of appeal in the form prescribed by the Minister within 30 days of being notified in writing of the decision appealed against or within such longer period as the Board may, on application, allow.

(3) The notice of appeal must specify the decision appealed against and the grounds of appeal.

(4) The Board may identify persons who may be interested in the appeal and may give directions as to the persons to be served with the notice of appeal, whether or not they are parties.

(5) For the purpose of conducting an appeal under this section, the Board
(a) has all of the duties, powers, privileges and immunities given to a commissioner appointed under the Public Inquiries Act by sections 3, 4, 7 and 9 of that Act, and
(b) shall be deemed to be a person for the purposes of section 1(a) of the Administrative Procedures Act.

(6) The Board may confirm, vacate or vary the decision appealed against.

(7) The Board shall serve the appellant and persons who received a notice of appeal with a copy of its decision, including the reasons for the decision.

Appeal to Court of Queen's Bench

35 (1) A party aggrieved by a decision of the Board under section 34 may, within 30 days of the date of service of the Board's decision on him or such longer period as the Court may allow, appeal to the Court of Queen's Bench on a question of law or jurisdiction.

(2) The procedure in an appeal to the Court of Queen's Bench shall be the same as that provided in the Alberta Rules of Court for applications by originating notice.

(3) The Court of Queen's Bench, on hearing the appeal, may confirm, vacate or vary the decision of the Board or make any order it considers just.

Appendix B

Overview of the Plan

Plan Provisions

The terms of the plan are as specified in the Universities Academic Pension Plan Act. The Plan is a contributory defined benefit plan with payment of all benefits guaranteed by the Government of Alberta. Employees are required to make current service contributions at 6 percent of salary, and employers at 7 percent of each participant's salary.

Pension benefits are based on two per cent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. The normal form of a pension is for the life of the member with a 15 year guarantee period. Optional forms of pension on an actuarial equivalent basis are available.

If the member has a spouse, unless a waiver is signed by the spouse, a joint life pension with at least $^2/_3$ continuing to the surviving spouse will be payable. Such joint life pension will be actuarially equivalent to the normal form of pension. Cost of living adjustments (COLA) to pensions may be granted on an ad hoc basis by the government.

Participants may retire at any time without reduction in the amount of pension after age 55 if 10 years of pensionable service have been accumulated, or after age 65 with five years of pensionable service. Normal pensionable age is 65 years, however, there is no mandatory retirement age.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least 10 years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit. The spouse of a member with less than 10 years of pensionable service must also accept a lump sum benefit.

Membership Statistics

At March 31, 1988 there were five employers participating in the Plan, 4,312 active contributors, 703 pensioners, and 156 former participants who had either not made a choice regarding their plan status or were awaiting a deferred pension. The average pension in payment was $2,066 per month to a former participant and $1,294 per month to a surviving spouse.

Pension Fund

The Pension Fund was established in 1981 by a transfer of $1,100 million from the General Revenue Fund. The Fund will help meet the costs of pension benefits being earned under the six plans administered and guaranteed by the province.

At March 31, 1988, the Pension Fund had assets of $3,995 million comprising a diversified portfolio of government and corporate bonds, money market securities, mortgages and equities.

For all plans in 1987-1988 the contributions made by employers and employees exceeded the benefits paid by $107 million. The comparable amount for the previous year was $138 million. In addition, the Fund earned $389 million in income, resulting in a net increase in fund equity of $496 million.

For the Universities Academic Pension Plan, 1987-1988 contributions of $31 million compared to disbursements of $18 million resulted in a net transfer to the Fund of $13 million. The comparable net transfer for the previous year was $16 million.

Actuarial Valuation

Independent actuarial valuations of the six government administered pension plans were commissioned by Alberta Treasury as at March 31, 1988. The purpose of the valuations was to quantify the total obligation of the Alberta Government in respect of its guarantee of the benefits provided by the plans.

The estimated accrued liabilities of all six plans were $8,916 million. These liabilities compare to Pension Fund assets of $3,995 million left an unfunded liability of $4,921 million as at March 31, 1988. The estimated accrued liability attributable to the Universities Academic Pension Plan was $995 million as at March 31, 1988.

The normal actuarial cost of the Universities Academic Pension Plan shown by the March 31, 1988 valuation was 23.2 percent of payroll using the attained age acturarial cost method. Using the unit credit actuarial cost method, the cost was 21.8 percent of payroll.

It was assumed in performing the valuations that ad hoc cost of living increases to pensions and deferred pensions would be granted annually at a rate equal to 75 percent of inflation.